

Stephen Spargo

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1 Q. Do you recall -- do you recall
2 anything more about the conversation?

3 A. Not really.

4 Q. Was anybody else present?

5 A. No.

6 Q. Do you recall anything, ever
7 learning anything about the outcome of any
8 conversation Mr. McConnell might have had with
9 Ms. Wynstra?

10 A. Again, through previous
11 depositions, I believe Ms. Wynstra was going to
12 write a legal opinion that said it was her
13 opinion that we had access to the funds.

14 Q. Do you recall Mr. McConnell ever
15 telling you that while you were at AHERF, or
16 did you only learn that subsequently, to your
17 employment there?

18 A. Subsequently.

19 Q. So you never heard back from
20 Mr. McConnell while you were at AHERF about any
21 outcome from Nancy Wynstra, conversation that
22 he might have had?

23 A. I did not.

24 Q. Do you remember anything more about
25 the conversation with Mr. McConnell than that

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1 four out of five circumstances securities and
2 stock, does it give you any, looking back on
3 it, concern about the classifications that were
4 originally made with respect to the growth in
5 the Lockhart trusts?

6 MR. RYAN: Objection.

7 A. It does. It does. Although, what
8 it really tells me is that we should have
9 pushed legal and Mellon a little harder to go
10 to orphan's court, or whatever the proper
11 procedure is go convince some unbiased party
12 that the intent of the endowment had been
13 satisfied all along. I was always informed
14 that that was an option.

15 Q. In other words, looking back on it,
16 further efforts might have been made?

17 A. I would hope, at least considered.
18 Because we would have pushed them. Perhaps
19 Mr. Abdelhak wouldn't have been accused of
20 raiding the endowments.

21 Q. Do you recall having any
22 disagreements with treasury about the
23 classifications of the growth of the trusts
24 with anyone?

25 A. The treasury?

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1 he was going to take the issue up with
2 Ms. Wynstra?

3 A. No. Other than he's very
4 protective of Mr. Martin, so I believe I was
5 disappointed with Mike's efforts. As well as
6 his staff, in soliciting clarification from
7 Mellon Bank. And then likewise disappointed in
8 Mr. Kennedy's efforts in that regard.

9 So Mr. McConnell's response to take
10 it up with Ms. Wynstra, although I learned
11 about it, the outcome later was consistent. He
12 would have protected Mike and shifted
13 responsibility to legal.

14 Q. Do you recall any response to
15 Mr. McConnell's statements that you made?

16 A. No.

17 Q. As you sit here today, and I know
18 it's several years after the fact, and you saw
19 documents today that showed that -- or
20 purported to show that certain dividend or
21 interest income may have been paid out to AHERF
22 on an as-you-go basis, at least by 1989, and
23 that the original trust donations, at least as
24 the memo reflects them, one of the memos
25 reflects them, were in, in fact, largely, in

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1 Q. With anyone at treasury?

2 A. No. I don't even know if they had
3 an opinion on how they should be classified.

4 Q. Upon receipt of the letter from Ms.
5 Robinson marked as Exhibit 20, do you recall
6 anyone ever discussing or you ever considering
7 that anyone ought to call or inform Coopers &
8 Lybrand of the receipt of the memo?

9 A. No.

10 Q. Do you know whether they ever got a
11 copy --

12 A. I don't.

13 Q. -- as you sit here today?

14 A. I do not know.

15 Q. And the reason you didn't -- you
16 don't remember that becoming a topic of your
17 consideration or conversation is why?

18 A. In my mind this was not done. We
19 weren't done. This is just, you know, we still
20 had a hill to climb to get to where we needed
21 to get to, and this, what we thought would be
22 helpful, wasn't helpful.

23 Q. This was one person's statement,
24 and was not, in your view, the end of the
25 inquiry?

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1 A. Yeah.

2 MR. RYAN: Objection.

3 A. Yeah. Exactly. I wondered

4 oftentimes the relationship we had with Mellon

5 Bank in various other capacities, which we're

6 all well aware of in terms of loans, authorized

7 by Mr. Kowitt and others, why we didn't go sit

8 down with Mellon, use the clout that we had and

9 say, look, we want some help, help us here.

10 Help us make an interpretation. Help us

11 understand what the restrictions are, what

12 we're trying to accomplish with these funds

13 that were donated to support that hospital.

14 Q. Or at least give a more definitive

15 answer?

16 MR. RYAN: Objection.

17 A. Absolutely. Tell us what our

18 options were.

19 Q. I may have asked you this, and for

20 that I'll apologize in advance. Do you recall

21 during the weekly update meetings during the

22 fiscal year 1996 audit the classification

23 effort with respect to the Lockhart trusts, and

24 other endowments for that matter, coming up?

25 MR. RYAN: Objection.

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1 what's been marked as 1577. And it's another
2 compilation of documents which include at the
3 outset a series of pages headed, AHERF analysis
4 of reserves; am I right?

5 A. Yes, sir.

6 Q. And on it you'll see about
7 two-thirds of the way down on the first page
8 there is a 6/30/96, as of 6/30/96 entry for
9 \$50 million as a potential favorable adjustment
10 with a row header that reads, SFAS 117
11 endowment transfers at AHERF; am I right?

12 A. That's correct.

13 Q. And on the second page -- I'm
14 sorry, just below that, there is another SFAS
15 117 entry for prior period amount exposure in
16 the amount of \$54 million; do you see that as
17 well?

18 A. I do.

19 Q. And, in fact, on the next page
20 similar entries are made at the bottom of the
21 page.

22 A. Correct.

23 Q. Do you recall receiving this
24 cushion or analysis of reserves?

25 A. I don't recall it. Certainly would

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1 A. I don't recall having been a big
2 topic of conversation, no.3 Q. May have come up, you just don't
4 recall it?

5 A. Yeah. Yeah. Could have.

6 Q. Do you know whether the contents or
7 the content of the letter from Ms. Robinson to
8 Mr. Martin at the end of the month 1996 was
9 shared with anyone at Coopers & Lybrand around
10 that time, separate and apart from the actual
11 written document?

12 A. I don't know.

13 Q. You're aware -- are you aware of
14 any effort to hide that letter from anyone at
15 Coopers & Lybrand?

16 MR. RYAN: Objection.

17 A. No. No, sir.

18 Q. Do you believe that that letter is
19 necessary to anyone's understanding of the
20 accounting issues with respect to the Lockhart
21 trusts?

22 MR. RYAN: Objection.

23 A. No. One way or the other, no.

24 That's a non-entity.

25 Q. Mr. Spargo, we've handed you now

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1 have had access to it and probably did receive
2 it.3 Q. Do you recall that the FASB 117
4 analyses and classifications that had been
5 undertaken in fiscal year 1996 were considered
6 both cushion opportunity and potential exposure
7 risk at AHERF in finance?

8 MR. RYAN: Objection.

9 A. I think we knew that.

10 Q. And that's consistent with your
11 prior testimony today about the use of the
12 cushion as being a partial motivator for the
13 classification?

14 A. Yes. Yes.

15 Q. And what was the perceived risk?

16 A. The risk was the extent to which
17 that accounting treatment was definitively
18 determined to be improper.19 Q. The risk is you might have been
20 wrong?21 A. Correct. Correct. Not unlike the
22 CRA.23 Q. What do you recall knowing, as you
24 sit here today, about the audit steps that
25 Coopers & Lybrand undertook with respect to the

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1 couldn't and others, I have no idea. And why
2 Sherif didn't hold them accountable, I'll
3 probably never understand.

4 Q. Did you understand what the risk
5 contracting enterprise that AHERF launched in
6 or about this time period was one that could
7 have been altered or modified?

8 A. I believe it could have been, yes.

9 Q. How so?

10 A. By approaching U.S. Healthcare,
11 renegotiating the terms. We didn't have an
12 obligation to make them wealthy on our behalf.
13 We wanted to explore a concept that was being
14 explored throughout the country, that is,
15 providers taking on a certain element of risk,
16 and providers throughout the country have
17 recognized that that's not something they're
18 very good at. So you unwind the deal.

19 Q. And do you know whether those
20 approaches were ever made?

21 A. No, I don't believe they were.

22 Q. Did you recommend them?

23 A. To Mr. McConnell, yes. To
24 Mr. Abdelhak, no.

25 Q. Is it fair to say then that your

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1 Allegheny, Adamczak was one.

2 Q. This memo has actually got his name
3 on it, so I have half of an excuse.

4 A. That's all right. That's fine.

5 Q. Mr. Spargo, I'm handing you a memo
6 apparently authored by Mr. Adamczak marked as
7 Exhibit 193.

8 A. You had to save this to the end.

9 Q. It is, indeed, such a memo?

10 A. It is, a memo from Al to Jack, yes,
11 sir.

12 Q. And it's in Mr. Adamczak's
13 handwriting?

14 A. Yes.

15 Q. With which you came to be familiar
16 over time?

17 A. Yes, most definitely.

18 Q. And you've, I think, mentioned in
19 first line where it says, per discussions with
20 Steve, 1.6 million of C. Calvert, and I can't
21 read the next word, maybe you can help me.

22 A. Payment.

23 Q. Payment is to be capitalized as
24 tort settlement and amortized over five years?

25 A. Yes, correct.

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1 opinion at the time, and it is today, that a
2 certain amount, a significant amount of
3 improvement and implementation might have
4 improved financial performance significantly?

5 A. Absolutely.

6 MR. RYAN: Objection.

7 A. Absolutely. No doubt about it. I
8 think Tenet and Drexel are living proof.

9 Q. And they are, again, acquirers?

10 A. Yes, they are, sir.

11 Q. Of certain portions of what were
12 AHERF enterprises?

13 A. Frankly, all of Delaware Valley
14 operations, I believe, in their entirety.

15 Q. Separate and apart from the western
16 enterprises?

17 A. Yes, sir. Yes, sir.

18 Q. Mr. Adamczak, I'm going to hand you
19 now what we've marked as Exhibit 193.

20 A. Please.

21 Q. That's twice.

22 A. At least it's not Snow or Laing, or
23 Martin or Dienisio. We can go down the list.

24 Q. I apologize.

25 A. I had a lot of friends at

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1 Q. Remaining piece --

2 A. Expense.

3 Q. -- expensed to institution cost?

4 A. Institutional cost center, I
5 believe.

6 Q. As salary. Is that what he says?

7 A. Correct.

8 Q. And he closes with the phrase,
9 please adjust?

10 A. Correct.

11 Q. In February close?

12 A. Yes.

13 Q. You do recall as you sit here today
14 there were certain circumstances that came to
15 your attention regarding the departure of
16 employment of an individual named Carol Calvert
17 from AHERF?

18 A. Yes. Yes, sir.

19 Q. What do you recall about that
20 departure?

21 A. That it was a long time coming,
22 number one, about three years late. And that
23 she was whisked into Pittsburgh, literally the
24 day that all the termination papers were
25 signed. And it was alleged to be in response

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<p style="text-align: right;">Page 479</p> <p>1 to her threats of suing the organization. So 2 it was characterized as a tort settlement. 3 Q. What did you understand to be the 4 alleged threats about -- what was the suit 5 about? 6 A. I have no idea. 7 Q. Okay. 8 A. None whatsoever. 9 Q. Why do you say, in your opinion, 10 this was a long time coming? 11 A. Her value to the organization was 12 minimal. In fact, she was a liability. Her 13 performance was substandard. She was -- she 14 had no respect amongst her peers or her 15 subordinates. She was not a very effective 16 manager. 17 Q. And why do you say all of those 18 things? 19 A. Because she was terrible at what 20 she did. 21 Q. What exposure did you have to her? 22 A. Oh, good God. Yikes. More than I 23 care to. She headed up the AIHG process, and 24 until Don Klein was appointed the CFO of AIHG, 25 I was responsible for baby-sitting Carol</p>	<p style="text-align: right;">Page 481</p> <p>1 Q. And other departments? 2 A. And others, yes. 3 Q. And it was -- was it ever confirmed 4 to you by either Mr. Abdelhak, Mr. McConnell, 5 or Ms. Calvert? 6 A. No. No, sir. 7 Q. Do you know whether any of the 8 auditors at C & L ever heard these same 9 discussions? 10 MR. RYAN: Objection. 11 A. I would assume they did. I don't 12 know for a fact. 13 Q. Do you remember ever discussing it 14 with any of them yourself? 15 A. I don't remember specific 16 conversations. 17 Q. Do you remember a general 18 conversation? 19 MR. RYAN: Objection. 20 A. It would have been a topic of 21 conversation with the auditors. 22 Q. You believe it was? 23 A. I believe it was, yes. 24 MR. RYAN: Objection. 25 Q. At a weekly update meeting?</p>
<p style="text-align: right;">Page 480</p> <p>1 Calvert. 2 Q. And you found her in your 3 interactions to be less than a knowledgeable 4 manager? 5 A. Very less. 6 Q. And that had always been the case? 7 A. Always to my knowledge, yes, my 8 interactions, yes. 9 Q. Do you recall ever hearing in 10 discussions that Ms. Calvert was having an 11 affair or other untoward relationship with 12 members of senior management? 13 A. Yes, that was word on the street, 14 yes, sir. 15 Q. And who were the member or members, 16 who was the member or who were the members of 17 senior management? 18 A. Mr. Abdelhak and Mr. McConnell. 19 Q. And from whom did you hear such 20 discussions? 21 A. Whoever might be flying on the 22 plane that day. Certainly my staff. 23 Q. It was a common conversation among 24 the finance department? 25 A. Oh, yes.</p>	<p style="text-align: right;">Page 482</p> <p>1 MR. RYAN: Objection. 2 A. No. No. No. No. In the hallway, 3 having a cigarette, lunch. 4 Q. A more casual conversation? 5 MR. RYAN: Objection. 6 A. Absolutely. Yes. 7 Q. It was so commonly discussed that 8 it would have been hard for the auditors not to 9 be involved in one of those considerations, is 10 that your characterization? 11 MR. RYAN: Objection. 12 A. I would characterize it that way, 13 yes. 14 Q. Do you recall the discussions that 15 Mr. Al Adamczak appears to refer in Exhibit 16 193, with you? 17 A. I don't recall them specifically. 18 Q. Do you recall how you learned that 19 there was to be some sort of settlement 20 agreement and payment to Ms. Calvert? 21 A. Mr. McConnell. 22 Q. How was it expressed to you by him? 23 A. That we're paying off Carol and 24 she's here signing her papers. I think that 25 day he shared that with me because it was in</p>

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1 Fifth Avenue Place and, of course, that's where
2 my office was, so I knew full well she was
3 there. Everyone knew when she was there. And
4 he said we're going to record it in response to
5 tort settlement.

6 Q. Did you have a reaction to that?

7 A. Probably like similar to Mr.

8 Paroos'.

9 Q. Yes.

10 A. And he probably would have said
11 yes.

12 Q. Mr. Paroo was another individual
13 who departed AHERF with some form of legal
14 agreement in payment?

15 A. That's correct.

16 Q. Did you have a question at the time
17 about whether it was appropriate to
18 characterize the settlement either as a tort or
19 anything else?

20 A. Yes. I told Mr. McConnell we
21 needed some documentation to support it. And I
22 assumed this would not be 1099-able or
23 W-2-able. And he said, yes.

24 Q. And what do you mean by that for
25 those who aren't IRS proficient?

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1 A. Yes.

2 Q. And did you have any reaction to
3 the request to capitalize any portion of this
4 payment over time?

5 A. No. No.

6 Q. Did you have any reaction about the
7 concern about the appropriateness of
8 capitalizing a tort settlement?

9 A. No. No. My concerns were more IRS
10 generated, you know her settlement, I don't
11 know if it represented three years of income,
12 but we could have easily paid it out monthly
13 over three years and to record the expense over
14 three years would have been proper. So to
15 capitalize it and amortize it, characterization
16 was not driven by the desire to accounting
17 treatment. It was designed by or driven by the
18 desire to alleviate Ms. Calvert from her income
19 tax responsibilities.

20 Q. Do you have any idea why it wasn't
21 just paid out?

22 MR. RYAN: Objection.

23 Q. All in one sum?

24 A. It was, wasn't it?

25 MR. RYAN: Objection.

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1 A. Taxable income to the recipient of
2 the funds.

3 Q. So it was your understanding that
4 Mr. McConnell was telling you to create either
5 documentation or at least a request for a
6 payment that would not be taxable to the
7 recipient?

8 A. No.

9 MR. RYAN: Objection.

10 A. I didn't create any documents.

11 Q. Yes.

12 A. I was instructed when the payment
13 went through the accounting system to make sure
14 that we knew, number one, to capitalize all or
15 a majority of it and amortize it.

16 Number two, to instruct Mr. Deasy
17 not to include it in taxable income.

18 Q. To whom, taxable income to whom?

19 A. To Ms. Calvert, correct.

20 Q. So at the time you're dealing with
21 an IRS kind of a question?

22 A. Yes.

23 Q. And you're also dealing with an
24 accounting question because you're being asked
25 to capitalize?

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1 A. It was, I believe.

2 Q. And then amortized?

3 A. And then amortized.

4 Q. Do you have any idea why it was
5 amortized?

6 A. Spread the expense out over five
7 years.

8 Q. So that would have been the
9 accounting issue?

10 A. Yeah. That could have been the
11 accounting issue, yeah.

12 Q. Which is to spread expense and not
13 take it all in one year?

14 A. Right. Right.

15 Q. Did you ever understand from
16 Mr. McConnell or otherwise that some portion of
17 the rationale for the capitalizing of the
18 expense was that there was some view that this
19 tort settlement was also in part or in full a
20 covenant not to compete?

21 A. From Carol?

22 Q. Yes.

23 A. Maybe if she would have competed we
24 would have done a little better. No, I did not
25 know that.

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<p style="text-align: right;">Page 491</p> <p>1 Q. Only because it was behind Exhibit 2 15, and you already have it. Did I not show it 3 to you before? 4 A. Yeah, probably. 5 MR. RYAN: I'm sorry, Jim, this is 6 what exhibit? 7 MR. JONES: Exhibit 16. 8 MR. RYAN: I don't believe we've 9 seen that in this case, in this deposition, I 10 mean. 11 MR. JONES: Well, I was informed 12 that we had, and if we haven't, we'll find it. 13 A. Number 16? 14 Q. Yes. Potential adjustments at the 15 top of the page. 16 We like to do this towards the end 17 of the day to make sure we're all energized. 18 A. Good exercise. 19 (Discussion held off the record.) 20 Q. Having located Exhibit 16, after 21 some effort, it is, again, a potential 22 adjustment sheet; is that right? 23 A. Yes, sir. 24 Q. And I'm going to refer your 25 attention to the second page.</p>	<p style="text-align: right;">Page 493</p> <p>1 A. Correct, compiling budgets is 2 probably the best description. 3 Q. Those budgets would include earning 4 targets, board projections, and things like 5 we've seen earlier today? 6 A. Correct. 7 Q. For AHERF and its affiliate 8 operations? 9 A. Correct. 10 Q. Who assisted you in this effort? 11 A. Mr. Adamczak primarily. 12 Q. Do you recall from time to time 13 there were edicts from Mr. Abdelhak about 14 improvements in either productivity, expense 15 reduction, or things of that nature? 16 A. Edicts about? 17 Q. Increased productivity or expense 18 reduction or things of that nature? 19 A. Yeah, I think so. 20 Q. In the budgeting process? 21 A. Yeah. 22 Q. Do you recall any -- experiencing 23 any frustration with some of these goals from 24 time to time? 25 A. I recall thinking that they -- it</p>
<p style="text-align: right;">Page 492</p> <p>1 A. Yes, sir. 2 Q. And it appears that both the 3 Calvert tort settlement and the Paroo tort 4 settlement are listed as potential adjustments 5 and potential expense adjustments, in fact? 6 A. Correct. 7 Q. Summing to \$4.9 million? 8 A. Yes, sir. 9 Q. So do you recall now that there was 10 continuing concern about the propriety of the 11 capitalizing of these settlements and that 12 there was concern that these may be potential 13 expense items at some future point? 14 A. I think this helps my recollection, 15 yes. 16 Q. Do you recall that part of your job 17 was developing budgets? 18 A. I'm sorry, sir. 19 Q. Do you recall that part of your 20 job, Mr. Spargo, was developing budgets at 21 AHERF? 22 A. Yes. 23 Q. And, in fact, not only developing 24 them, but dealing with the budgets developed by 25 others?</p>	<p style="text-align: right;">Page 494</p> <p>1 was doubtful they would be achieved. 2 Q. Did you have any sense that they 3 may be arbitrarily imposed? 4 A. Oh, yeah. 5 Q. And why so? 6 A. Well, they normally came out of the 7 big office without any data going in first. 8 Q. And the big office was 9 Mr. Abdelhak's? 10 A. Mr. Abdelhak's, yes, yes. 11 Q. Did you find that the budgets from 12 time to time were more optimistic than you 13 would have made them, the budget requirements? 14 A. I can't say that. There was always 15 some glimmer of hope that there would have been 16 sufficient pressures placed on the operating 17 units to achieve some of those budgeted targets 18 and expectations. 19 Q. Did you or anyone else at finance 20 though feel any amount of pressure to help 21 fulfill what might have been optimistic goals 22 from time to time, if you could, via accounting 23 treatments? 24 A. Yeah, I think we recognize that we 25 wanted to try and hit our targets as best we</p>

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<p style="text-align: right;">Page 495</p> <p>1 could.</p> <p>2 Q. Mr. Spargo, flipping back to</p> <p>3 another category of questions for a second, if</p> <p>4 C & L would have asked you, would you have told</p> <p>5 them that the payments to Ms. Calvert and</p> <p>6 Mr. Paroo were tort settlements?</p> <p>7 A. Sure I would have.</p> <p>8 MR. RYAN: Objection.</p> <p>9 A. Absolutely.</p> <p>10 Q. Or were for tort settlements?</p> <p>11 A. Yes, there's nothing to hide. The</p> <p>12 disturbing part about those settlements, given</p> <p>13 their timing, was that we were having cash, and</p> <p>14 senior management somehow felt the need to pay</p> <p>15 out \$5 million to two bone heads.</p> <p>16 You know, the accounting treatment,</p> <p>17 I hate to say this, I could have cared less</p> <p>18 about the accounting treatment. I had the</p> <p>19 accountants responsible to me. I also had Dave</p> <p>20 Deasy every day asking if he could pay Cardinal</p> <p>21 Health or Baxter or -- and we're paying those</p> <p>22 two people 5 million bucks.</p> <p>23 Q. You're aware that during your time</p> <p>24 at AHERF, performance bonuses were paid to</p> <p>25 management?</p>	<p style="text-align: right;">Page 497</p> <p>1 do you mean by budget?</p> <p>2 A. Whether we achieved our budget</p> <p>3 targets or not.</p> <p>4 Q. In terms of net income?</p> <p>5 A. Net income, yeah, maybe revenues.</p> <p>6 Q. I'm sorry, you said something after</p> <p>7 net income?</p> <p>8 A. Maybe revenues, whatever. No. No.</p> <p>9 No. One of the big targets was cost per</p> <p>10 adjusted discharge, CPAD, how could I forget.</p> <p>11 Sherif would shoot me. That was a big deal</p> <p>12 about whether we had achieved cost per adjusted</p> <p>13 discharged targets.</p> <p>14 Q. What does that mean?</p> <p>15 A. That means you take your expenses</p> <p>16 and go through some crazy gyration to equate it</p> <p>17 to how much does it cost to treat a patient.</p> <p>18 East, west, I don't know that we did a</p> <p>19 consolidated, but probably in the regions where</p> <p>20 they had hospitals.</p> <p>21 - - - - -</p> <p>22 (Thereupon, Deposition Exhibit 1700</p> <p>23 was marked for purposes of</p> <p>24 identification.)</p> <p>25 - - - - -</p>
<p style="text-align: right;">Page 496</p> <p>1 A. Yes.</p> <p>2 Q. And it was a system designed to</p> <p>3 reward executives in the event of achieving</p> <p>4 certain benchmarks?</p> <p>5 A. Yes.</p> <p>6 Q. In a typical year, what did those</p> <p>7 bonuses run for people at your level of</p> <p>8 seniority and responsibility at the company?</p> <p>9 A. Ten to 30 percent.</p> <p>10 Q. Did you have a view about whether</p> <p>11 those were middling or high in the industry?</p> <p>12 A. I thought they were high.</p> <p>13 Q. Was achievement of those bonuses by</p> <p>14 management and people in the finance</p> <p>15 department, like yourself, in part contingent</p> <p>16 upon meeting certain financial goals?</p> <p>17 A. Yes.</p> <p>18 Q. And what were those goals?</p> <p>19 A. I don't recall, but I don't even</p> <p>20 know if budget was one, something to do with</p> <p>21 net equity, probably bond ratings, patient</p> <p>22 satisfaction, quality. There was like four or</p> <p>23 five indicators. Fairly standard in the</p> <p>24 industry.</p> <p>25 Q. When you say budget was one, what</p>	<p style="text-align: right;">Page 498</p> <p>1 Q. Mr. Spargo, we just handed you</p> <p>2 Exhibit 1700, which is a September 6, 1996 memo</p> <p>3 from Dwight Kasperbauer to Mr. Buettner; is</p> <p>4 that fair to say?</p> <p>5 A. Yes, sir.</p> <p>6 Q. With a copy to Al Adamczak?</p> <p>7 A. Yes, sir.</p> <p>8 Q. And in it Mr. Kasperbauer tells</p> <p>9 Mr. Buettner that he is providing certain</p> <p>10 information; is that right?</p> <p>11 A. Yes.</p> <p>12 Q. And part of that information is a</p> <p>13 description of the criteria with respect to the</p> <p>14 bonuses we've just been discussing; is that</p> <p>15 right?</p> <p>16 A. That's correct.</p> <p>17 Q. And does that refresh your</p> <p>18 recollection about the criteria involved?</p> <p>19 A. As soon as I go through them it</p> <p>20 does.</p> <p>21 Q. And the categories briefly are</p> <p>22 admissions, cost per adjusted discharge, which</p> <p>23 you just mentioned?</p> <p>24 A. Correct.</p> <p>25 Q. Net income?</p>

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<p style="text-align: right;">Page 503</p> <p>1 then have ready access to.</p> <p>2 Q. What was the quantum, if you can,</p> <p>3 as a percentage of salary that you were</p> <p>4 committed as an allotment to do this shopping?</p> <p>5 A. 20 percent.</p> <p>6 Q. I think you testified earlier in</p> <p>7 other litigation it was as much as 33 percent?</p> <p>8 A. Thirty-three.</p> <p>9 Q. Is that your best recollection?</p> <p>10 A. Yes. Yes. Thirty-three. Yes.</p> <p>11 Q. Do you recall any other executive</p> <p>12 benefits?</p> <p>13 A. Yes. We got sort of like a car</p> <p>14 allowance thrown into our salary. And that was</p> <p>15 intended, number one, for cars, so you didn't</p> <p>16 have to submit the milage to and from the</p> <p>17 airport and that crap. It was also intended to</p> <p>18 cover legal fees, financial advisors, tax</p> <p>19 preparation fees, those kind of things. That</p> <p>20 was like \$22,000 a year or something.</p> <p>21 Q. Do you recall that these benefits</p> <p>22 that we've just discussed over the last few</p> <p>23 minutes were benefits that were available to</p> <p>24 not only persons of your position in the</p> <p>25 company, but those above you like</p>	<p style="text-align: right;">Page 505</p> <p>1 CERTIFICATE</p> <p>2 The State of Ohio,)</p> <p>3 SS:</p> <p>4 County of Cuyahoga.)</p> <p>5</p> <p>6 I, Jaci R. Traver, RPR, CRR and</p> <p>7 Notary Public, duly commissioned and qualified,</p> <p>8 do hereby certify that the within named</p> <p>9 witness, STEPHEN SPARGO, was by me first duly</p> <p>10 sworn to testify the truth, the whole truth and</p> <p>11 nothing but the truth in the cause aforesaid;</p> <p>12 that the testimony then given by the</p> <p>13 above-referenced witness was by me reduced to</p> <p>14 stenotypy in the presence of said witness;</p> <p>15 afterwards transcribed, and that the foregoing</p> <p>16 is a true and correct transcription of the</p> <p>17 testimony so given by the above-referenced</p> <p>18 witness.</p> <p>19 I do further certify that this</p> <p>20 deposition was taken at the time and place in</p> <p>21 the foregoing caption specified and was</p> <p>22 completed without adjournment.</p> <p>23</p> <p>24</p> <p>25</p>
<p style="text-align: right;">Page 504</p> <p>1 Mr. McConnell, Ms. Wynstra and Mr. Abdelhak?</p> <p>2 A. Yes.</p> <p>3 Q. And were there levels of</p> <p>4 individuals in the company beneath you who got</p> <p>5 these benefits and bonuses?</p> <p>6 A. Perhaps. Maybe down in the vice</p> <p>7 president level.</p> <p>8 Q. But certainly above you the</p> <p>9 benefits and bonuses that we've talked about</p> <p>10 today applied?</p> <p>11 A. Oh, yeah, yeah, definitely.</p> <p>12 MR. JONES: Let's break here so</p> <p>13 people can make their flights. We will</p> <p>14 obviously reconvene and maybe take a few</p> <p>15 minutes to talk about when. I will be, if not</p> <p>16 done, and I may just say I'm done, very, very</p> <p>17 close to done, on the order of a half hour to</p> <p>18 an hour, but no more. I appreciate everyone's</p> <p>19 stamina.</p> <p>20 VIDEO TECHNICIAN: Going off the</p> <p>21 record at 3:48.</p> <p>22</p> <p>23 (Deposition adjourned.)</p> <p>24 -----</p> <p>25</p>	<p style="text-align: right;">Page 506</p> <p>1 I do further certify that I am not</p> <p>2 a relative, counsel or attorney for either</p> <p>3 party, or otherwise interested in the event of</p> <p>4 this action.</p> <p>5 IN WITNESS WHEREOF, I have hereunto</p> <p>6 set my hand and affixed my seal of office at</p> <p>7 Cleveland, Ohio, on this day of</p> <p>8 , 2003.</p> <p>9</p> <p>10</p> <p>11</p> <p>12</p> <p>13</p> <p>14 Jaci R. Traver, Notary Public</p> <p>15 within and for the State of Ohio</p> <p>16</p> <p>17 My commission expires July 15, 2003.</p> <p>18</p> <p>19</p> <p>20</p> <p>21</p> <p>22</p> <p>23</p> <p>24</p> <p>25</p>

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Stephen Spargo

<p style="text-align: right;">Page 515</p> <p>1 SIGNATURE OF WITNESS</p> <p>2</p> <p>3</p> <p>4</p> <p>5</p> <p>6 The deposition of STEPHEN SPARGO,</p> <p>7 taken in the matter, on the date, and at the</p> <p>8 time and place set out on the title page</p> <p>9 hereof.</p> <p>10 It was requested that the</p> <p>11 deposition be taken by the reporter and that</p> <p>12 same be reduced to typewritten form.</p> <p>13 It was agreed by and between</p> <p>14 counsel and the parties that the Deponent will</p> <p>15 read and sign the transcript of said</p> <p>16 deposition.</p> <p>17</p> <p>18</p> <p>19</p> <p>20</p> <p>21</p> <p>22</p> <p>23</p> <p>24</p> <p>25</p>	<p style="text-align: right;">Page 517</p> <p>1 DEPOSITION ERRATA SHEET</p> <p>2</p> <p>3 RE: OFFICIAL COMMITTEE OF UNSECURED</p> <p>4 CREDITORS OF ALLEGHENY HEALTH,</p> <p>5 EDUCATION & RESEARCH FOUNDATION</p> <p>6 VS.</p> <p>7 PRICEWATERHOUSECOOPERS, L.L.P.</p> <p>8 RRS File No.: 7472</p> <p>9 Deponent: STEPHEN SPARGO</p> <p>10 Deposition Date: JULY 18, 2003</p> <p>11</p> <p>12 To the Reporter:</p> <p>13 I have read the entire transcript of my</p> <p>14 Deposition taken in the captioned matter or the</p> <p>15 same has been read to me. I request that the</p> <p>16 following changes be entered upon the record</p> <p>17 for the reasons indicated. I have signed my</p> <p>18 name to the Errata Sheet and the appropriate</p> <p>19 Certificate and authorize you to attach both to</p> <p>20 the original transcript.</p> <p>21</p> <p>22</p> <p>23</p> <p>24</p> <p>25</p>
<p style="text-align: right;">Page 516</p> <p>1 AFFIDAVIT</p> <p>2 The State of Ohio,)</p> <p>3) SS:</p> <p>4 County of Cuyahoga)</p> <p>5</p> <p>6</p> <p>7</p> <p>8 Before me, a Notary Public in and for</p> <p>9 said County and State, personally appeared</p> <p>10 STEPHEN SPARGO, who acknowledged that he/she</p> <p>11 did read his/her transcript in the</p> <p>12 above-captioned matter, listed any necessary</p> <p>13 corrections on the accompanying errata sheet,</p> <p>14 and did sign the foregoing sworn statement and</p> <p>15 that the same is his/her free act and deed.</p> <p>16 In the TESTIMONY WHEREOF, I have hereunto</p> <p>17 affixed my name and official seal at this</p> <p>18 day of A.D 2003.</p> <p>19</p> <p>20</p> <p>21</p> <p>22 Notary Public</p> <p>23</p> <p>24</p> <p>25 My Commission Expires:</p>	

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Stephen Spargo

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IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF PENNSYLVANIA

THE OFFICIAL COMMITTEE OF
UNSECURED CREDITORS OF
ALLEGHENY HEALTH, EDUCATION
& RESEARCH FOUNDATION,
Plaintiff,

vs.

PRICEWATERHOUSECOOPERS,
LLP,

Defendant.

Civil Action

No. 00-684

Continued Videotaped Deposition of
STEPHEN H. SPARGO, called for examination under
the Applicable Rules of Federal Civil
Procedure, taken before me, Michele E. Eddy, a
Registered Professional Reporter and Notary
Public in and for the State of Ohio, pursuant
to notice and stipulations of counsel, at the
offices of Manion McDonough, 600 Grant Street,
Suite 1400, Pittsburgh, Pennsylvania, Ohio, on
Tuesday, the 4th day of November, 2003, at 9:00
a.m.

- - - - -
VOLUME 3
- - - - -

Stephen Spargo

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1 that you have attached a schedule which depicts
2 47 million dollars of reserves on the books in
3 our DV or Delaware Valley Hospitals, is that
4 right?

5 A. That's correct.

6 Q. Indeed the attached page in the
7 second page of Exhibit 1343 is that listing of
8 reserves for the Delaware Valley as of 3-31-95.

9 Am I right?

10 A. Yes, it is.

11 Q. And then Exhibit 1689, the one next
12 to you and now in your hands is, again,
13 another, this time, two-page listing of AHERF
14 reserves. This time it says after proposed
15 adjustments. And these reflect reserves as of
16 6-30-95 and 6-30-96, is that right?

17 A. They do.

18 Q. On both of these exhibits,
19 Mr. Spargo, we have an entry for prior year
20 CRAs under the heading of the Hahnemann
21 Hospital or the category that relates at least
22 to the Hahnemann Hospital. Am I right in that?

23 A. I'm sure you are. I'm just looking
24 for it.

25 Q. Let me help you. Look at Exhibit

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1 MR. RYAN: Objection.

2 Q. The entry for, on Exhibit 1689,
3 rather, for the prior year CRA at Hahnemann is
4 19.5 million, is that right?

5 A. Yes, sir.

6 Q. Again, a significant sum?

7 A. Yes, sir.

8 MR. RYAN: Objection.

9 Q. And taking you back momentarily to
10 your testimony in your first deposition
11 session, these analyses of reserves were
12 documentation used by the finance department to
13 keep track of or score of what was referred to
14 as cushions.

15 Is that fair to say?

16 A. Yes, it is.

17 Q. And those cushions, in your
18 testimony, I think, were means of mitigating
19 unforeseen negative financial consequences?

20 A. Yes.

21 Q. Or otherwise offsetting negative
22 financial performance during a given period?

23 A. Yes.

24 Q. And these entries got to the
25 reserve analyses or cushion analyses by way of

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1 1343 first.

2 A. Okay.

3 Q. The first entry is for the HUH --

4 A. Right.

5 Q. -- hospital. And that is
6 Hahnemann?

7 A. That is Hahnemann.

8 Q. In the parlance in the accounting
9 department at this time.

10 A. Yes, sir.

11 Q. And then if you look at 1689's
12 first page, the Allegheny University Hospital
13 would be again Hahnemann Hospital again?

14 A. Yes. Thank you.

15 Q. If you skip down just a few lines
16 under both of those headings you will see on
17 both documents an entry for prior year CRAs.

18 A. That's correct.

19 Q. In the Delaware Valley listing,
20 Exhibit 1343, the amount is 13 million dollars.

21 Is that right?

22 A. Yes, sir.

23 Q. That's a significant sum, am I
24 right?

25 A. It is.

1 individuals in either the finance or other
2 departments at AHERF; the underlying data was
3 supplied to the finance department by certain
4 individuals, is that fair to say?

5 A. Yes, sure.

6 Q. With respect to prior year CRAs or
7 cost rate adjustments -- first of all, is that
8 what that refers to?

9 A. A/R cost report adjustments, yes.

10 Q. Synonymous terms?

11 A. Yes.

12 Q. Cost rate adjustment, cost report
13 adjustment meant the same thing to finance
14 department people at AHERF anyway?

15 A. Yes. It did. It did.

16 Q. The data for cost rate adjustment
17 or prior year cost rate adjustment or cost
18 report adjustment cushions would have come from
19 what source, what individual?

20 A. Primarily Joe Scharf or his staff.

21 Q. Now, a prior year cost rate
22 adjustment, as you understood it, at the time
23 these documents were generated and used would
24 have meant what? What would a prior CRA entry
25 on these analyses of reserves or cushions have

3 (Pages 523 to 526)

Stephen Spargo

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1 meant to you?

2 A. It would have meant that for a year
3 other than the current year, that the cost
4 reports, primarily Medicare, but to some extent
5 Medicaid, maybe Blue Cross in some cases, but
6 few, when those cost reports get final settled
7 after audit, that we could expect more
8 reimbursement than perhaps we recorded to date.

9 Q. And instead of -- strike that.

10 Now, there was also a term used
11 with respect to the way hospitals are
12 reimbursed during the time you worked in the
13 AHERF finance department or with accounting at
14 AHERF that went by the initials PIP.

15 Do you remember that --

16 A. Yes, I do.

17 Q. -- set of initials?

18 A. Yes, I do.

19 Q. That term referred to periodic
20 interim payments?

21 A. That's correct.

22 Q. Can you, as you recall it, describe
23 for me the difference between a periodic
24 interim payment and a cost rate adjustment?

25 A. I can try.

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1 jurisdictions, comes in and audits the
2 hospital's equivalent of a tax return. The
3 cost report is yea thick.

4 It has everything on there from
5 interns and residents to bad debts and they'll
6 come in at the end of the day and say your cost
7 report shows that we owe you \$100,000.

8 After audit we think we owe you
9 \$4,100,000. If you agree, sign off on the
10 adjustments, case closed. Move on to the next
11 year. So they're really not -- PIP and CRAs
12 aren't related.

13 Q. Do you recall during the time you
14 were involved with the generation and review of
15 the cushion analyses or analysis -- analyses of
16 reserves marked as Exhibit 1343 and Exhibit
17 1689, whether any PIP account amounts were
18 recorded on these analyses as cushions or
19 potential cushions?

20 A. They shouldn't have been. I mean
21 true PIP balances, they're just -- just cash
22 flow issues. They don't have an income
23 statement impact. So --

24 Q. Did you --

25 A. Some hospitals will allow PIP

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1 Periodic interim payment or PIP is
2 a method of reimbursement that Medicare affords
3 very few hospitals that meet certain
4 preestablished criteria.

5 What Medicare basically says is
6 we're going to give you a flat amount of money
7 every two weeks irrespective of how many bills
8 you send us and how many claims we process in
9 response to those bills.

10 So your cash flow will be an even
11 five million dollars every two weeks no matter
12 what. One week you may send in eight million
13 dollars of bills, the next week you may take
14 the week off and send in a hundred thousand
15 dollars, but PIP is going to assure you
16 uninterrupted cash flow. The day of reckoning
17 will be when we settle the cost report for a
18 given year.

19 So PIP has nothing to do with the
20 cost report. It's merely cash advances in lieu
21 of making payments specific to individual
22 claims.

23 And a cost report adjustment is
24 basically one that fiscal intermediary, which
25 is usually Blue Cross in most cities or

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1 accounts to also serve as CRA accounts. Once
2 the year is done, instead of closing out PIP
3 because nobody likes to reconcile PIP, they
4 just leave it in there and say the intermediary
5 is going to resolve everything when all is said
6 and done and we'll use that as part of our CRA
7 balance either owed to or owed from Medicare.

8 Q. Do you know then as you sit here
9 today whether the prior year CRA entries on
10 Exhibits 1343 and 1689 included amounts like
11 you just described with respect to PIP
12 accounts, that is amounts that might be
13 cushion?

14 A. They could have.

15 MR. RYAN: Objection.

16 A. They could have. I, again, don't
17 recall who was on PIP, to be honest with you.

18 Q. When you say recall who, you don't
19 recall who would have been reporting PIP
20 amounts?

21 A. No, which hospital was afforded
22 that luxury by Medicare.

23 Q. I see.

24 Are there bookkeeping circumstances
25 that you recall where there were transfers

4 (Pages 527 to 530)

Stephen Spargo

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1 Coopers & Lybrand have been making this comment
2 about the capitalized interest even in the
3 prior year, they've been consistently making
4 this point, it's not something that they
5 just --

6 A. No.

7 Q. -- came up with on the spot for the
8 IBM Center?

9 A. You are correct. You are correct.

10 MR. JONES: Object to form.

11 Q. This is something Coopers &
12 Lybrand's consistently been telling AHERF for a
13 number of years?

14 MR. JONES: Same objection.

15 A. Yes. Yes.

16 Q. You would agree that there's
17 nothing inappropriate about having a SUD that
18 contains offsetting amounts, right?

19 A. Oh, no. Oh, no. No. That's what
20 you hope a SUD would do.

21 Q. You don't think there's anything
22 inappropriate about either the SUD entries, do
23 you?

24 A. No, I don't.

25 Q. Either the IBM sale leaseback SUD

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1 paragraph one, "We are responsible for the fair
2 presentation in the consolidated financial
3 statements of our financial position, results
4 of operations, and cash flows, in conformity
5 with generally accepted accounting principles.
6 "Financial statements and related
7 notes include all disclosures necessary for a
8 fair presentation of the financial position.
9 Results of operations and cash flows of AHERF
10 and affiliates in conformity with generally
11 accepted accounting principles and disclosures
12 otherwise required to be included therein by
13 the laws and regulations to which the company
14 is subject."

15 Right?

16 A. Yes.

17 Q. So what that's basically saying is
18 the financial statements are GAAP, right?

19 MR. JONES: Object to form.

20 A. Yes.

21 Q. That was the representation you
22 made to Coopers & Lybrand?

23 A. Yes.

24 Q. You believed that that was an
25 accurate statement for you to make?

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1 entry or the 7.1 million capitalized interest
2 SUD entry?

3 A. No.

4 MR. JONES: Objection. Asked and
5 answered. And form.

6 Q. Let me hand you what's previously
7 been marked as Exhibit 1590.

8 A. Thank you.

9 Q. Do you recognize Exhibit 1590, Mr.
10 Spargo?

11 A. I do. Looks like the management
12 rep letter for the 1996 audit.

13 Q. Dated September 20th, 1996?

14 A. Yes.

15 Q. And signed by Mr. Abdelhak,
16 Mr. McConnell, you and Miss Wynstra?

17 A. Yes.

18 Q. I take it that is your signature on
19 the last page?

20 A. Yes.

21 Q. Do you recognize the signatures of
22 the other three signatures?

23 A. I do, yes. Quite a team we were.

24 Q. This representation letter for
25 1996, like the one for 1995, states in

1 A. Yes.

2 MR. JONES: Same objection, and to
3 foundation.

4 Q. You knew that the auditors at
5 Coopers & Lybrand were going to rely on those
6 statements, right?

7 A. I knew they were going to be given
8 everything they needed to make their own
9 judgment. That's what I really knew.

10 So when I sat down and said, David,
11 you know, do I need you to sign this, and my
12 signature would go on first, so if I signed it,
13 he signs it. If he signs, Sherif signs it. If
14 Sherif signs it, if she'll go get Nancy to sign
15 it.

16 The bottom line is are they going
17 to know what they need to determine what their
18 audit opinion's going to be? Absolutely.
19 That's what that's all about.

20 Did Adamczak make it -- is the
21 draft he's going to give them on Monday morning
22 GAAP? Who the hell knows. But they'll have --
23 they can make that determination. So --

24 Q. And you're aware from your
25 experience as an auditor and from working in

52 (Pages 719 to 722)

Stephen Spargo

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1 management at a number of institutions that one
2 of the things that auditors place reliance on,
3 in addition to various schedules they review
4 and so forth, are representations from their
5 clients' management, right?

6 A. Yes. Yes. And full disclosure.

7 Q. That's what this is supposed to be,
8 right?

9 A. Yes. Yes.

10 MR. JONES: Object to form.

11 Q. If you could turn to the next page.

12 A. Yes, sir.

13 Q. Do you see there paragraph eight
14 again states that, "The receivables have been
15 appropriately reduced to their estimated net
16 realizable value," right?

17 A. Yes, I see it.

18 Q. Did you believe at the time you
19 signed it that that was a correct statement?

20 MR. JONES: Object to form.

21 A. I can't imagine I did, but -- no,
22 because, you know, obviously this was signed in
23 September of 1996. Probably there around the
24 same time Mr. Cancelmi came out with his little
25 memos that he wrote on a monthly basis at my

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1 Q. If you would turn, please, to
2 paragraph 17. You see that reads, "Settlements
3 due to or due from third-party payers recorded
4 on the balance sheet are stated at amounts
5 which reflect assessments resulting from
6 settlements already made or from those
7 contemplated by third-party payers"?

8 A. I see that.

9 Q. And your understanding is that is
10 saying the CRA accounts are properly stated?

11 A. I don't know what the hell that
12 states.

13 MR. JONES: Note my objection to
14 foundation.

15 A. I mean, I don't know. Maybe --
16 maybe I should have read this a little
17 closer -- I don't know what it says. I guess
18 that's what they're trying to say. But to say,
19 you know, this year's assessment has to be
20 based on a prior year assessment, that's --
21 that could be irrelevant, especially if
22 Medicare comes up with a new payment scheme or
23 something.

24 It's an outdated way of trying to
25 say the CRA is reasonably stated.

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1 urging and McConnell's request basically saying
2 our reserves are understated by an exorbitant
3 sum of money.

4 So did I believe eight? No. Did I
5 believe the ball was in somebody else's court
6 to decide whether the A/R is going to be fairly
7 presented on the financials? Yes. Did they
8 hit the ball over the net? No.

9 Q. In fact, I think September 20th is
10 the date of the first in this series of memos
11 from Dan Cancelmi that we looked at the other
12 day?

13 A. Really, the same day as this?

14 Q. Same day.

15 A. Okay. Probably coincidence more
16 than anything, in all honesty.

17 Q. So when you signed the management
18 representation letter marked as Exhibit 1590,
19 you knew that the receivables, in fact, had not
20 been appropriately reduced to their estimated
21 net realizable value?

22 MR. JONES: Object as asked and
23 answered.

24 A. Yeah, I knew the reserve for bad
25 debt was understated.

1 Q. Did you believe when you signed
2 this letter that the CRA accounts were
3 reasonably stated?

4 A. I believe I did. Or, more
5 importantly, I believe that they would have
6 everything they need to make their own
7 determination. It's like telling your mother
8 at Thanksgiving, that turkey was great and you
9 walk out saying I don't want any leftovers.
10 You know the obvious. You tell me.

11 Q. If you'd look at paragraph 21
12 toward the bottom of the page. Do you see that
13 reads --

14 A. Yes.

15 Q. -- "AHERF has confirmed to AIHG in
16 a letter dated September 9th, 1996 that it will
17 continue to support the future operations of
18 AIHG," right?

19 A. I see that, yes, sir.

20 Q. That's a reference to the support
21 letter required in the absence of which there
22 could have been a going concern qualification,
23 right?

24 A. Yes. Yes. In fact, I believe in
25 the 1995 rep letter, a statement similar to

53 (Pages 723 to 726)

Stephen Spargo

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1 that was made for the University, I believe.

2 Q. Yes, for MCPHU.

3 A. MCPHU, right. Right.

4 Wow, were you working there
5 somewhere? How did you get all the right
6 lingo?

7 Q. MCPHU or M C P H U is what was
8 later renamed AUHS, right?

9 A. Yes. Yes.

10 Q. If you could look, please, at
11 paragraph 22 of Exhibit 1590.

12 A. Okay.

13 Q. You see that reads, "We have
14 adopted financial accounting standards board
15 statements, FAS number 116, accounting for
16 contributions received and contributions made;
17 number 117, financial statements of
18 not-for-profit organizations; and number 124,
19 accounting for certain investments held by
20 not-for-profit organizations, and have complied
21 with the requirements of these statements in
22 the preparation of our financial statements."

23 A. Yes, sir.

24 Q. Are these the statements that we've
25 had occasion to refer to as FAS 116, FAS 117,

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1 receivables being appropriately reduced to
2 their estimated net realizable value that you
3 didn't believe was true at the time you signed
4 it?

5 MR. JONES: Object to form.

6 A. I don't know. I'd have to read it
7 word for word.

8 Q. Would you mind doing that?

9 A. "Fairly described or properly
10 recorded in the accounting records."

11 Maybe we should have put 3(a), Dear
12 Bill, Dionisio insisted on recording that damn
13 IBM building despite our advice to the contrary
14 and you're going to break the tie. Thanks.

15 Is that material? Yes, six, seven
16 million dollars. Is it properly recorded? No.

17 He overrode Al Adamczak, who has more
18 accounting brains than Joe will ever have.

19 So -- I mean, I bet there's -- you could
20 probably look through every little nitpicky
21 item here and say, you know, is there anything
22 in here that could be an issue.

23 But the issues are to be resolved
24 by our independent auditors. All we have to do
25 is give them the information they need to make

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1 and FAS 124?

2 A. Yes, sir.

3 Q. The statement that you and your
4 colleagues at AHERF management were making here
5 was that you had complied with FAS 116, 117,
6 124 in preparing the 1996 consolidated
7 financial statements, right?

8 A. Yes.

9 Q. Did you believe that to be true at
10 the time?

11 A. Dan and Al said so. Yes, I did.

12 The other three who signed this?
13 They didn't have a clue.

14 Q. But you believed it was true, and
15 that's what you told --

16 A. Yeah.

17 Q. -- I guess Dave McConnell?

18 A. Yeah. Either that or sign this.

19 That's usually how it worked. Here is the rep
20 letter. There's nothing here to get excited
21 about. Just sign it. And, oh, by the way,
22 we're signing it and the audit is over.

23 Q. Are you aware of anything in this
24 representation letter other than the sentence
25 we discussed in paragraph eight about

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1 an informed judgment. But I hope we have title
2 to all assets. We put provisions in for
3 obviously inventories.

4 I mean, the general sense of the
5 letter is here they are to the best of our
6 abilities. We need your help now to assess
7 presentation, fairness and break ties on
8 certain issues.

9 Q. Are there any transactions or
10 agreements that you were aware of when you
11 signed this letter other than the IBM building
12 sale leaseback that you believed were not
13 fairly described or properly recorded in the
14 accounting record?

15 MR. JONES: Object to form.

16 A. When did we sign --

17 MR. JONES: And foundation.

18 A. -- Iqbal, February '96, is that
19 right? No. Carol Calvert, hell, no. Are they
20 going to listen to me? No. Will they listen
21 to Bill Buettner? Maybe. I don't know.

22 Q. So you believed at this time in
23 September 1996 that the agreements relating to
24 Miss Calvert and to Iqbal Paroo were recorded
25 improperly?

54 (Pages 727 to 730)

Stephen Spargo

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SIGNATURE OF WITNESS

The deposition of STEPHEN H. SPARGO, taken in the matter, on the date, and at the time and place set out on the title page hereof.

It was requested that the deposition be taken by the reporter and that same be reduced to typewritten form.

It was agreed by and between counsel and the parties that the Deponent will read and sign the transcript of said deposition.

Page 789

DEPOSITION ERRATA SHEET

RE: OFFICIAL COMMITTEE OF UNSECURED CREDITORS, ETC. VS. PRICEWATERHOUSECOOPERS, LLP

RRS File No.: 7472

Deponent: STEPHEN H. SPARGO

Deposition Date: NOVEMBER 4, 2003

To the Reporter:

I have read the entire transcript of my Deposition taken in the captioned matter or the same has been read to me. I request that the following changes be entered upon the record for the reasons indicated. I have signed my name to the Errata Sheet and the appropriate Certificate and authorize you to attach both to the original transcript.

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AFFIDAVIT

The State of Ohio,)
) SS:
County of Cuyahoga)

Before me, a Notary Public in and for said County and State, personally appeared STEPHEN H. SPARGO, who acknowledged that he/she did read his/her transcript in the above-captioned matter, listed any necessary corrections on the accompanying errata sheet, and did sign the foregoing sworn statement and that the same is his/her free act and deed.

In the TESTIMONY WHEREOF, I have hereunto affixed my name and official seal at this day of A.D 2003.

Notary Public

My Commission Expires:

69 (Pages 787 to 789)

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF PENNSYLVANIA

THE OFFICIAL COMMITTEE OF
UNSECURED CREDITORS OF
ALLEGHENY HEALTH, EDUCATION
& RESEARCH FOUNDATION,
Plaintiff,

vs.

PRICEWATERHOUSECOOPERS,
LLP,

Defendant.

Civil Action

No. 00-684

Continued Videotaped Deposition of
STEPHEN H. SPARGO, called for examination under
the Applicable Rules of Federal Civil
Procedure, taken before me, Michele E. Eddy, a
Registered Professional Reporter and Notary
Public in and for the State of Ohio, pursuant
to notice and stipulations of counsel, at the
offices of Manion McDonough, 600 Grant Street,
Suite 1414, Pittsburgh, Pennsylvania, Ohio, on
Wednesday, the 5th day of November, 2003, at
10:00 a.m.

- - - - -

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- - - - -

Stephen Spargo

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<p style="text-align: right;">Page 827</p> <p>1 117, right?</p> <p>2 A. That is correct. You're right.</p> <p>3 Q. Does reviewing Exhibits 116 and 117</p> <p>4 refresh your recollection that, in fact, the</p> <p>5 general accounting department at AHERF did</p> <p>6 calculate and book a bad debt allowance at the</p> <p>7 Delaware Valley hospitals at year-end fiscal</p> <p>8 year 1996 based on bad debt formula reserving</p> <p>9 methodology?</p> <p>10 MR. JONES: Object to form and</p> <p>11 foundation.</p> <p>12 A. That certainly appears that's what</p> <p>13 has happened, yes.</p> <p>14 Q. And then provided those amounts to</p> <p>15 Coopers & Lybrand to audit, right?</p> <p>16 MR. JONES: Same objection.</p> <p>17 A. Yes, it appears so.</p> <p>18 Q. Do you recall ever telling Bill</p> <p>19 Buettner or anybody else at Coopers & Lybrand</p> <p>20 that you believed that the bad debt allowances</p> <p>21 at the Delaware Valley hospitals, that the</p> <p>22 general accounting department at AHERF had</p> <p>23 provided Coopers & Lybrand to audit, were</p> <p>24 understated?</p> <p>25 MR. JONES: Object to form and</p>	<p style="text-align: right;">Page 829</p> <p>1 need help more than sending Norb in from</p> <p>2 Harrisonburg or wherever he came from. We've</p> <p>3 got some serious problems here.</p> <p>4 Q. Do you have any reason to believe</p> <p>5 that the 17 and a half million dollar</p> <p>6 adjustment made as a result of the Coopers &</p> <p>7 Lybrand fiscal year 1996 audit was not an</p> <p>8 adjustment sufficient to state the bad debt</p> <p>9 allowances at the Delaware Valley hospitals</p> <p>10 fairly at fiscal year-end?</p> <p>11 MR. JONES: Object to form.</p> <p>12 A. Do I believe it was not sufficient?</p> <p>13 Q. Do you have any reason to</p> <p>14 believe -- do you have any reason as you sit</p> <p>15 here today to believe that that adjustment was</p> <p>16 insufficient?</p> <p>17 MR. JONES: Same objection.</p> <p>18 A. Yes.</p> <p>19 Q. What reason is that?</p> <p>20 A. Dan Cancelmi's September 20th memo</p> <p>21 to me and the September 24th memo and my</p> <p>22 handwritten note to David McConnell.</p> <p>23 Q. Before you received Mr. Cancelmi's</p> <p>24 September 20th, 1996 memo, and perhaps</p> <p>25 conversations with Dan in the days leading up</p>
<p style="text-align: right;">Page 828</p> <p>1 foundation.</p> <p>2 A. No, I don't recall those -- those</p> <p>3 exact words, no.</p> <p>4 Q. You had conversations, I gather,</p> <p>5 with Coopers & Lybrand where you told them that</p> <p>6 you had concerns about how the patient billing</p> <p>7 department was doing and you felt they weren't</p> <p>8 collecting cash well, right?</p> <p>9 A. I did have those, yes.</p> <p>10 Q. But you can't recall conversations</p> <p>11 where you said to anybody from Coopers &</p> <p>12 Lybrand I think the bad debt reserve is wrong,</p> <p>13 I think the financial statements are misstated</p> <p>14 or anything like that, right?</p> <p>15 MR. JONES: Object to form.</p> <p>16 A. I did not say it like that, no.</p> <p>17 Q. You can't recall saying it in any</p> <p>18 other way that would have conveyed that</p> <p>19 message, can you?</p> <p>20 MR. JONES: Object to form.</p> <p>21 A. Yeah. Our A/R includes junk. I</p> <p>22 don't know how you're going to get satisfied</p> <p>23 with it this year. But I know you do your own</p> <p>24 little testing. We have past statute accounts.</p> <p>25 We have PATCOM crap that we've inherited. We</p>	<p style="text-align: right;">Page 830</p> <p>1 to that memo, did you have any reason to</p> <p>2 believe that the bad debt reserve at the</p> <p>3 Delaware Valley hospitals with the 17 and a</p> <p>4 half million year-end adjustment was</p> <p>5 insufficient?</p> <p>6 MR. JONES: Same object as asked</p> <p>7 and answered.</p> <p>8 A. Yes.</p> <p>9 Q. What reason is that?</p> <p>10 A. None of this was a new problem. We</p> <p>11 knew we had issues in accounts receivable that</p> <p>12 predate September 20th.</p> <p>13 I don't want to keep harping on</p> <p>14 past statute and PATCOM and accounts at gross</p> <p>15 and different issues, but we knew they were</p> <p>16 there.</p> <p>17 How much? It was secondary to we</p> <p>18 weren't doing a good job at billing and</p> <p>19 collecting cash.</p> <p>20 So the 17 million or 17 and a half,</p> <p>21 or whatever adjustments were posed, were</p> <p>22 adequate for Mr. Buettner to get comfortable.</p> <p>23 If he could recharacterize the CRA reserve to a</p> <p>24 bad debt reserve to help ensure that the</p> <p>25 reserve was more reasonably stated, fine.</p>

11 (Pages 827 to 830)

Stephen Spargo

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<p style="text-align: right;">Page 831</p> <p>1 That's okay.</p> <p>2 My issue wasn't with the adequacy</p> <p>3 of the reserves other than the fact that</p> <p>4 that -- that might allow us to heighten the</p> <p>5 ineptitude of our PFS&G group because, as I</p> <p>6 said yesterday, I had the dubious distinction</p> <p>7 of dealing with Mr. Deci and cash. Cash is</p> <p>8 king. Today, too, in both of our lives and at</p> <p>9 work, so --</p> <p>10 Q. Now, Bill Buettner isn't shown as</p> <p>11 being copied on Mr. Cancelmi's September 20th,</p> <p>12 1996 memo marked as Exhibit 1683, right?</p> <p>13 A. I don't believe he is.</p> <p>14 Q. Nor is anyone else from Coopers &</p> <p>15 Lybrand shown as getting copies, right?</p> <p>16 A. I assume not. I can look at that</p> <p>17 page.</p> <p>18 No, sir, just Mr. Morrison, Snow</p> <p>19 and Robin Schaffer.</p> <p>20 Q. Who are all AHERF people?</p> <p>21 A. Correct.</p> <p>22 Q. The same is true of Mr.</p> <p>23 Mr. Cancelmi's memo dated September 24th, 1996</p> <p>24 marked as Exhibit 1450, again, neither Mr.</p> <p>25 Buettner nor anybody else from Coopers &</p>	<p style="text-align: right;">Page 833</p> <p>1 Lybrand about this series of memos from</p> <p>2 Mr. Cancelmi?</p> <p>3 A. No, not that I recall.</p> <p>4 Q. Even though you felt in your mind</p> <p>5 that the series of memos from Dan Cancelmi cast</p> <p>6 doubt on the adequacy of the bad debt reserves</p> <p>7 at June 30th, 1996?</p> <p>8 A. Yes.</p> <p>9 MR. RYAN: Why don't we take a</p> <p>10 break.</p> <p>11 THE VIDEOGRAPHER: Going off the</p> <p>12 record at 11:22.</p> <p>13 (Recess had.)</p> <p>14 THE VIDEOGRAPHER: Going back on</p> <p>15 the record at 11:32.</p> <p>16 Q. Mr. Spargo, if you wouldn't mind</p> <p>17 keeping out Exhibit 122, which was the</p> <p>18 handwritten schedule, 17 and a half million</p> <p>19 dollars in adjustments.</p> <p>20 A. Okay.</p> <p>21 Q. And looking at that in conjunction</p> <p>22 with some pages from Exhibit 10.</p> <p>23 A. Okay.</p> <p>24 Q. If we could start with the page</p> <p>25 with the Bates number ending in 1363.</p>
<p style="text-align: right;">Page 832</p> <p>1 Lybrand is shown as being copied, right?</p> <p>2 A. Correct.</p> <p>3 Q. Do you recall providing</p> <p>4 Mr. Buettner a copy of Mr. Cancelmi's September</p> <p>5 20th memo?</p> <p>6 A. No, I don't recall.</p> <p>7 Q. Do you recall providing a copy of</p> <p>8 that memo to anyone at Coopers & Lybrand?</p> <p>9 A. No.</p> <p>10 Q. Do you recall providing</p> <p>11 Mr. Buettner a copy of Mr. Cancelmi's September</p> <p>12 24th memo?</p> <p>13 A. No.</p> <p>14 Q. Do you recall providing that memo</p> <p>15 to anyone at Coopers & Lybrand?</p> <p>16 A. No.</p> <p>17 Q. I think we saw yesterday that the</p> <p>18 management representation letter that you and</p> <p>19 others in management at AHERF signed and</p> <p>20 returned to Coopers & Lybrand was dated</p> <p>21 September 20th, 1996, right?</p> <p>22 A. Correct.</p> <p>23 Q. When you signed that management</p> <p>24 representation letter and provided it to</p> <p>25 Coopers & Lybrand, did you tell Coopers &</p>	<p style="text-align: right;">Page 834</p> <p>1 A. Okay.</p> <p>2 Q. Do you see down on the second half</p> <p>3 of this page there's a listing of certain CRA</p> <p>4 reserves and capitalized interest and PP&E</p> <p>5 reserves and then a notation in the margin,</p> <p>6 adjustments to June 1996?</p> <p>7 A. I see that, yes.</p> <p>8 Q. And the reserves look fairly</p> <p>9 similar to the list of reserves in Exhibit 122?</p> <p>10 MR. JONES: Object to form.</p> <p>11 A. They look darn near identical.</p> <p>12 Q. And then up at the top of Bates</p> <p>13 page 1363 in Exhibit 10 is a notation</p> <p>14 apparently next to some CRA reserves that</p> <p>15 reads, "Joe wants to switch these." Do you see</p> <p>16 that?</p> <p>17 MR. JONES: Object to form.</p> <p>18 A. I do.</p> <p>19 Q. Do you recognize the handwriting on</p> <p>20 this page?</p> <p>21 A. Yes, that's Dan Cancelmi's</p> <p>22 handwriting, I believe.</p> <p>23 Q. Let me show you one other page here</p> <p>24 in this exhibit. It's 1368. It's a page</p> <p>25 headed CRA entries, June 30th, 1996.</p>

12 (Pages 831 to 834)

Stephen Spargo

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<p style="text-align: right;">Page 923</p> <p>1 were appropriate might well change?</p> <p>2 MR. RYAN: Objection.</p> <p>3 Q. Is that fair to say?</p> <p>4 A. It might well change?</p> <p>5 Q. If you had the underlying data,</p> <p>6 potentially your view of the appropriateness of</p> <p>7 these actual reserves at establishment might</p> <p>8 change?</p> <p>9 A. Potentially, yes.</p> <p>10 MR. RYAN: Same objection.</p> <p>11 A. Potentially, yes.</p> <p>12 Q. In other words, you didn't have</p> <p>13 enough information in front of you today given</p> <p>14 that the events are several years in the past</p> <p>15 to really pass judgment on the appropriate --</p> <p>16 appropriateness of the amounts of reserves at</p> <p>17 establishment?</p> <p>18 MR. RYAN: Objection.</p> <p>19 A. That's correct.</p> <p>20 Q. Indeed, Mr. Spargo, you've been</p> <p>21 shown over the course of the last two days of</p> <p>22 your testimony several multi-page documents,</p> <p>23 the entirety of which you did not have the</p> <p>24 opportunity to review, is that right?</p> <p>25 A. Oh, yes. Yes, definitely.</p>	<p style="text-align: right;">Page 925</p> <p>1 A. That's accurate.</p> <p>2 Q. Mr. Spargo, I'm not going to ask</p> <p>3 you to try to recall the entirety of</p> <p>4 conversations you had a few years ago now with</p> <p>5 Mr. Buettner at the time, at or about the time</p> <p>6 of the closing of the fiscal year 1996 audit</p> <p>7 work.</p> <p>8 However, you were asked some</p> <p>9 questions about that this morning by Mr. Ryan.</p> <p>10 I think you said you could not recall with</p> <p>11 certainty that you told Mr. Buettner that the</p> <p>12 bad debt reserve at DVOG was understated during</p> <p>13 those conversations, but you did say that you</p> <p>14 recalled informing him that there were serious</p> <p>15 problems, that there was junk, I think was the</p> <p>16 word you used, in the accounts.</p> <p>17 Do you recall that testimony?</p> <p>18 A. Yes, I do.</p> <p>19 Q. Among other things?</p> <p>20 A. Yes, yes.</p> <p>21 Q. Is it fair to say that your best</p> <p>22 recollection today is that you conveyed</p> <p>23 information to Mr. Buettner in those</p> <p>24 conversations that you thought was sufficient</p> <p>25 to inform him that the bad debt reserve at DVOG</p>
<p style="text-align: right;">Page 924</p> <p>1 Q. In fact, you know from your</p> <p>2 business experience and common sense that</p> <p>3 sometimes your view of the content of a</p> <p>4 document might change if the opportunity to</p> <p>5 review it in full was given to you; is that</p> <p>6 fair to say?</p> <p>7 A. Oh, yes. Yes.</p> <p>8 Q. For instance, you didn't review</p> <p>9 every line item in the two SUDs, Coopers &</p> <p>10 Lybrand's SUDs that you were given this</p> <p>11 morning, did you?</p> <p>12 A. I did not.</p> <p>13 Q. Or yesterday morning?</p> <p>14 A. No, I did not.</p> <p>15 Q. You don't feel qualified as you sit</p> <p>16 here today to pass judgment as an accountant on</p> <p>17 the appropriateness of any of those SUD</p> <p>18 entries; is that also fair to say?</p> <p>19 MR. RYAN: Objection.</p> <p>20 A. Yes, it is.</p> <p>21 Q. You don't consider yourself today</p> <p>22 and didn't in fiscal years '95, '96 and '97 an</p> <p>23 expert on the nuances, subtleties or even the</p> <p>24 general rules that apply to Coopers & Lybrand's</p> <p>25 SUDs; is that accurate?</p>	<p style="text-align: right;">Page 926</p> <p>1 was understated at year-end fiscal year 1996?</p> <p>2 MR. RYAN: Objection.</p> <p>3 A. Yes.</p> <p>4 Q. Is there any doubt in your mind</p> <p>5 that he understood that based on the</p> <p>6 information conveyed to him by you?</p> <p>7 MR. RYAN: Objection.</p> <p>8 A. Not a speck.</p> <p>9 Q. Not a --</p> <p>10 A. Not a speck of doubt, no.</p> <p>11 Q. Thank you.</p> <p>12 Mr. Spargo, you were shown a series</p> <p>13 of management representation letters by</p> <p>14 Mr. Ryan over the last couple of days.</p> <p>15 Do you recall that testimony?</p> <p>16 A. I do.</p> <p>17 Q. You were also shown I think as</p> <p>18 perhaps the last one the management</p> <p>19 representation letter that coincided with the</p> <p>20 fiscal year 1996 audit.</p> <p>21 Do you recall that?</p> <p>22 A. I do.</p> <p>23 Q. You were asked to review it and</p> <p>24 tell Mr. Ryan things that came to your mind</p> <p>25 that you believed to be untrue.</p>

35 (Pages 923 to 926)

Stephen Spargo

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<p style="text-align: right;">Page 927</p> <p>1 Do you recall that?</p> <p>2 A. Yeah. Not in accordance with GAAP</p> <p>3 I think may have been the question.</p> <p>4 Q. You recited certain things that you</p> <p>5 did indeed believe to be inaccurate. Is that</p> <p>6 fair to say?</p> <p>7 A. Yes.</p> <p>8 Q. Is it also fair to say that you</p> <p>9 have not had the benefit over the last few days</p> <p>10 to review all of your testimony either in SEC</p> <p>11 proceedings or in this case to help you -- help</p> <p>12 refresh your recollection with respect to what</p> <p>13 you might find inaccurate in that</p> <p>14 representation letter today, is that right?</p> <p>15 A. Yes, that is correct, yes.</p> <p>16 Q. Indeed there may be more there that</p> <p>17 you might find inaccurate had you had such an</p> <p>18 opportunity?</p> <p>19 A. There indeed may be more, yes.</p> <p>20 Q. Is it also accurate -- strike that.</p> <p>21 Is there any doubt in your mind</p> <p>22 that Coopers & Lybrand knew about the</p> <p>23 inaccuracies that you did happen to point out</p> <p>24 today -- or yesterday in your testimony with</p> <p>25 Mr. Ryan in regard to the management</p>	<p style="text-align: right;">Page 929</p> <p>1 Q. You were asked a question about a</p> <p>2 particular paragraph in that September 20, 1996</p> <p>3 management representation letter relating to</p> <p>4 accounts receivable and whether or not they had</p> <p>5 been reduced to their net realizable value.</p> <p>6 Do you recall that testimony?</p> <p>7 A. I do.</p> <p>8 Q. In that testimony, you used the</p> <p>9 phrase that at some point the ball was then in</p> <p>10 somebody else's court.</p> <p>11 To whom did you refer when you used</p> <p>12 that metaphor, if you can recall?</p> <p>13 A. I don't know. I assume Coopers,</p> <p>14 but I don't know.</p> <p>15 Q. I'm going to ask you to look at the</p> <p>16 audited financial statements for the fiscal</p> <p>17 year 1996, briefly, and I think you'll find</p> <p>18 them at Exhibit 1228.</p> <p>19 Exhibit 1228.</p> <p>20 A. Oh, boy.</p> <p>21 Q. I'm going to just briefly ask you</p> <p>22 to turn to the Bates stamped page 1578, which</p> <p>23 is the consolidated balance sheet. 78 is the</p> <p>24 balance sheet?</p> <p>25 A. Yes.</p>
<p style="text-align: right;">Page 928</p> <p>1 representation letter for fiscal year 1996 --</p> <p>2 MR. RYAN: Objection.</p> <p>3 Q. -- that they knew the underlying</p> <p>4 facts?</p> <p>5 MR. RYAN: Objection.</p> <p>6 A. Oh, yes, they knew, sure.</p> <p>7 Q. They knew those facts from</p> <p>8 conversations with you and your staff?</p> <p>9 MR. RYAN: Objection.</p> <p>10 A. Yes, yes.</p> <p>11 Q. And through documents provided to</p> <p>12 them?</p> <p>13 MR. RYAN: Objection.</p> <p>14 A. Absolutely.</p> <p>15 Q. And from access to other</p> <p>16 information, electronic and otherwise?</p> <p>17 MR. RYAN: Objection.</p> <p>18 A. Yes.</p> <p>19 Q. Telling them what they already knew</p> <p>20 to you would seem unnecessary; is that fair to</p> <p>21 say?</p> <p>22 MR. RYAN: Objection.</p> <p>23 A. Well, yeah. They already knew it.</p> <p>24 Q. And you believed they did?</p> <p>25 A. I know they did.</p>	<p style="text-align: right;">Page 930</p> <p>1 Q. You were asked about a million and</p> <p>2 a half dollar figure regarding cash</p> <p>3 equivalents. Do you recall that?</p> <p>4 A. I do.</p> <p>5 Q. We've heard testimony in this case</p> <p>6 from others about the fact that there may be a</p> <p>7 reason not to have a lot of cash on hand during</p> <p>8 the market environment, that is the securities</p> <p>9 market environment that prevailed in the mid</p> <p>10 1990s, and that being invested was a preferred</p> <p>11 way to hold sums.</p> <p>12 Do you recall that being a strategy</p> <p>13 at AHERF and other hospitals at the time?</p> <p>14 A. Yes.</p> <p>15 MR. RYAN: Objection to the</p> <p>16 introduction.</p> <p>17 A. Yes, especially if you have a line</p> <p>18 of credit available to you.</p> <p>19 Q. The reason you say that is why?</p> <p>20 A. Many times the cash you show is</p> <p>21 actually zero and your operating line of credit</p> <p>22 provides the cash to meet your day-to-day</p> <p>23 disbursement needs.</p> <p>24 Q. So you could keep your money,</p> <p>25 invest it in earning, interest, dividends, or</p>

36 (Pages 927 to 930)

Stephen Spargo

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<p style="text-align: right;">Page 951</p> <p>1 objection 939 15 2 object 940 9 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25</p>	<p style="text-align: right;">Page 953</p> <p>1 AFFIDAVIT 2 The State of Ohio,) 3) SS: 4 County of Cuyahoga) 5 6 7 8 Before me, a Notary Public in and for 9 said County and State, personally appeared 10 STEPHEN H. SPARGO, who acknowledged that he/she 11 did read his/her transcript in the 12 above-captioned matter, listed any necessary 13 corrections on the accompanying errata sheet, 14 and did sign the foregoing sworn statement and 15 that the same is his/her free act and deed. 16 In the TESTIMONY WHEREOF, I have hereunto 17 affixed my name and official seal at this 18 day of A.D 2003. 19 20 21 22 Notary Public 23 24 25 My Commission Expires:</p>
<p style="text-align: right;">Page 952</p> <p>1 SIGNATURE OF WITNESS 2 3 4 5 6 The deposition of STEPHEN H. 7 SPARGO, taken in the matter, on the date, and 8 at the time and place set out on the title page 9 hereof. 10 It was requested that the 11 deposition be taken by the reporter and that 12 same be reduced to typewritten form. 13 It was agreed by and between 14 counsel and the parties that the Deponent will 15 read and sign the transcript of said 16 deposition. 17 18 19 20 21 22 23 24 25</p>	<p style="text-align: right;">Page 954</p> <p>1 DEPOSITION ERRATA SHEET 2 3 RE: OFFICIAL COMMITTEE OF UNSECURED 4 CREDITORS, ETC. VS. 5 PRICEWATERHOUSECOOPERS, LLP 6 RRS File No.: 7472 7 Deponent: STEPHEN H. SPARGO 8 Deposition Date: NOVEMBER 5, 2003 9 10 To the Reporter: 11 I have read the entire transcript of my 12 Deposition taken in the captioned matter or the 13 same has been read to me. I request that the 14 following changes be entered upon the record 15 for the reasons indicated. I have signed my 16 name to the Errata Sheet and the appropriate 17 Certificate and authorize you to attach both to 18 the original transcript. 19 20 21 22 23 24 25</p>

42 (Pages 951 to 954)

Spielvogel Dep.

In The Matter Of:

AHERF v.
PRICEWATERHOUSECOOPERS, LLP

RICHARD L. SPIELVOGEL, M.D.,
May 19, 2004

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SPIELVOGEL, M.D., RICHARD L.

